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REPORT

THE NATIONAL ASSEMBLY
PAPERS LAID

DATE: 12 FEB 2026 *Tuesday*

OF

*Hon George Mwangi,
Deputy Speaker
Honada Tiliwi*

THE AUDITOR-GENERAL

ON

**UPGRADING OF GILGIL MACHINERY ROAD
PROJECT BADEA LOAN**

**FOR THE YEAR ENDED
30 JUNE, 2025**

KENYA RURAL ROADS AUTHORITY





**Upgrading of “Gilgil Machinery” Road Project
Kenya Rural Roads Authority**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

JUNE 30, 2025



Arab Bank for Economic Development in Africa

Together for Africa

Transitional IPSAS Financial Statements/Prepared in accordance with the Accrual Basis of Accounting Method under the International Public Sector Accounting Standards (IPSAS)

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***Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

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Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

1. Acronyms and Definition of Terms

CBK	Central Bank of Kenya
ICPAK	Institute of Certified Public Accountants of Kenya
IMF	International Monetary Fund
IPSAS	International Public Sector Accounting Standards
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
BADEA	Arab Bank for Economic Development in Africa
Comparative FY	Financial year preceding the current financial year.

2. Project Information and Overall Performance

2.1 Name and registered office

Name

The project's official name is Upgrading of the "Gilgil-Machinery" Road Project.

Objective

The key objective of the project is to contribute to economic and social development of Kenya, develop the public transport sector, develop, expand and integrate the road network with the capital Nairobi and link administrative towns and villages.

Address

The project headquarters offices are in Nairobi, Nairobi County, Kenya.

The address of its registered office is:

Kenya Rural Roads Authority,

Block B, Barabara Plaza, Off Msa Rd

Opposite KCAA Building Along Airport South Rd, JKIA

P.O. Box 48151-00100 Nairobi

Contacts: The following are the project contacts

Telephone: (254) (20) 2710464/0724735568/0733619197

E-mail: dg@kerra.go.ke

Website: www.kerra.go.ke

Project information and overall performance (continued)

2.2 Project Information

Project Start Date:	The loan was declared effective on 11th May 2017
Project End Date:	The original project end date is 30th June 2019 . Loan Extension was issued, extending the date to 31st December 2024
Project Coordinator:	The Project Coordinator is Eng. Kennedy O. Nyakuti
Project Development Partner:	The project Sponsors are Government of Kenya (GOK) contributing 33.15% and Arab Bank for Economic Development in Africa (BADEA) contributing 66.85% of the Roadworks cost <ul style="list-style-type: none"> • BADEA contribution USD 11.0Million • GOK Contribution USD 4.0Million <p style="text-align: center;">TOTAL Funding USD 15.0 Million</p>

2.3 Project Overview

Line Ministry or State departments/ County Department	The project is under the supervision of Kenya Rural Roads Authority, which falls under the State department of Infrastructure of the Ministry of Roads and Transport.
Strategic goals of the project	The project aims at improving 23 kilometres of Gilgil - Machinery road(D390) to bitumen standards
Summary of Project Strategies for achievement of strategic goals	An overall achieved weighted progress for permanent works is 99.96% against a projected revised program of 100%.
Other important background information of the project	The loan agreement required that the Implementing agency form a project implementation unit. This condition was fulfilled with the appointment of a Project Coordinator and an Accountant.

**Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025**

	<p>The project is managed by a Project Implementation Unit (PIU) composed of a Civil Engineer and an Accountant as specified in Article III Section 3.03 of the Financing Agreement. Currently, Eng. K.O. Nyakuti and CPA Jane K. Murage were appointed as the Project Coordinator and Project Accountant respectively.</p> <p>The project road length is approximately 23km long and traverses Nakuru and Nyandarua Counties with 5km being in Nakuru County and 18km being in Nyandarua County. The project road starts in Gilgil Town, on road C77 (Gilgil – Nyahururu), to the Njabini –Ol Kalou (C69) which was constructed with funding from BADEA. The project road is currently to gravel standard and traverse through generally a rolling/hilly terrain.</p>
<p>Areas that the project was formed to intervene</p>	<p>The project was formed to intervene in the following areas:</p> <ul style="list-style-type: none"> (i) Linking of administrative towns and villages (ii) Expand and integrate the road network with the capital Nairobi. (iii) Contribute to economic and social development of the area. (iv) Develop public sector transport
<p>Project duration</p>	<p>The project civil works construction started on 4th May, 2019 and is expected to run until 31st December, 2024 with a 12-month Maintenance Period.</p>

Project Information and Overall Performance (Continued)

2.4 Bankers

The following are the bankers for the project:

KCB Bank LTD

Kencom House, Moi Avenue Branch,
P.O. Box 48400-00100,
Nairobi Kenya.
KeRRA BADEA Funds Account-1259504255

2.5 Independent Auditor

The project is audited by the

Office of the Auditor General,
Anniversary Towers, University Way,
P.O. Box 30084-00100, Nairobi Kenya.

2.6 Roles and Responsibilities

Name and Contact Details	Title designation	Key qualification	Responsibilities
Eng. J. K. Magondu +254 (20) 2710464 dq@kerra.go.ke	Ag. Director General	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Accounting Officer
Eng G.W, Chiaji +254 (20) 2710464 george,chiaji@kerra.go.ke	Director Development	<i>BSc., MIEK, P.Eng, M(IBL), A(CLArb-UK)</i>	Engineer
Eng. Kennedy O. Nyakuti +254 (20) 2710464 kennedy.nyakuti@kerra.go.ke	Project Coordinator	<i>BSc MIEK, P.Eng, PMP</i>	Coordination of the activities of the project.
CPA Jane K. Murage +254 (20) 2710464 jane.murage@kerra.go.ke	Project Accountant	<i>BBA(Acc), CPA(K),MBA(Acc)</i>	Assisting in Coordination of the activities of the project.

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

2.7 Funding summary

The Project duration is eight (8) years from 2017 to 2024 with an approved budget of USD 15,000,000 as highlighted in the table below:

Project information and overall performance (continued)

Below is the funding summary:

A. Source of Funds

Source of funds	Development Partner Commitment		Amount received to date – (30 th June 2025)		Undrawn balance to date	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A') - (B')
(i) Grant						
German Development Bank	11,000,000	1,112,980,000	11,000,000	1,112,980,000	-	-
Total	11,000,000	1,112,980,000	11,000,000	1,112,980,000	-	-
(iii) Counterpart funds						
Government of Kenya	4,000,000	400,000,000	5,448,375	551,266,665	(1,495,025)	(151,266,665)
Total	15,000,000	1,512,980,000	16,448,375	1,664,246,665	(1,495,025)	(151,266,665)

1 usd=101.18

- The variation in the GOK counterpart funds is caused by variations in quantities of bridgeworks and variation of prices due to the prolonged period of execution of works.

Project information and overall performance (continued)

B. Application of Funds

Application of funds	Amount received to date – (30 th June 2025)		Cumulative amount paid to date – (30 th June 2025)		Unutilised balance to date (30th June 2025)	
	Development Partner currency	Kshs	Development Partner currency	Kshs	Development Partner currency	Kshs
	(A)	(A')	(B)	(B')	(A)-(B)	(A')-(B')
(i) Loan						
BADEA	11,000,000	1,112,980,000	11,000,000	1,112,980,000		
Total	11,000,000	1,112,980,000	11,000,000	1,112,980,000		-
(ii) Counterpart funds						
Government of Kenya	5,448,375	551,266,665	5,352,894	541,605,899		9,660,766
Total	16,448,375	1,664,246,665	16,352,894	1,654,585,899	-	9,660,766

Project information and overall performance (continued)

2.8 Summary of Overall Project Performance:

During the financial year, the project absorbed 195% of its approved budget. This is due to the payment some of the outstanding pending bills.

The absorption rate for each year since the commencement of the project is as follows:

Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Absorption	55%	62%	58%	76%	97%	195%

The project has faced the following implementation challenges:

- Delay in relocation of utility services.
- Challenges of obtaining approval of exemption from taxes of materials to be utilized in execution of the project from the National treasury.
- Climate changes causing heavy rains thus delay in bridge construction.
- Delay in disbursement of exchequer funding

2.9 Summary of Project Compliance:

The Project has ensured that all the activities comply with the laws of the Republic of Kenya and that all regulations and procedures have been followed. The project has therefore fully complied with both the financing agreement and other statutory requirements.

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

3. Statement of Performance against Project's Predetermined Objectives

Introduction

Section 81 (2) (f) of the Public Finance Management Act, 2012 requires that, at the end of each financial year, the Accounting Officer when preparing financial statements of each National Government entity in accordance with the standards and formats prescribed by the Public Sector Accounting Standards Board includes a statement of the National Government entity's performance against predetermined objectives.

The key development objectives of the project's agreement plan are to:

- i) Link administrative towns and villages.
- ii) Expand and integrate the road network with the capital Nairobi.
- iii) Contribute to economic and social development of the area.
- iv) Develop public sector transport.

4. Environmental and Sustainability Reporting

KeRRA has an environmental Policy that governs project implementation to ensure adherence to environmental and social safeguards. The policy is aimed at environmental and social stewardship.

1. Sustainability strategy and profile

To ensure sustainable development of the project and its continued safe use, the project held several community outreach programmes to get user buy in at the commencement of the project. Participation of the community during construction phase has also been carried out. Other community activities include HIV/AIDS, substance abuse guiding and counselling. The integration environmental and social concerns in the implementation strategy of the project will enhance environmental practices amongst all stakeholders. This will ultimately enhance sustainable development of the project. The proposed project will enhance the social-economic well-being of the local community as well as the whole country.

2. Environmental performance

KeRRA's Environmental Policy is built on commitments made in its Mission Statement and Values on Environmental and Social Stewardship. The core values are seven (7). The Authority has committed to update the Environment policy in consultation with stakeholders and staff.

The project has strived adhere to all environmental and other statutory requirements as far as the environment is concerned. This include and not limit to:

- i) Obtaining project environmental licence
- ii) Rehabilitating exhausted material sites and carrying out environmental audits before closing them
- iii) Managing waste in the prescribed manner as stated in the licence
- iv) Clearing only the required corridor for construction purposes in order to protect adjacent biodiversity
- v) Grassing of side slopes to minimise erosion
- vi) Installation of scour checks to mitigate against erosion and siltation of streams and rivers
- vii) Embarked on a safety awareness campaign to mitigate against wrong use of the road post construction

3. Employee welfare

The project employs both technical and non-technical staff from the project local area. It's only the technical staff where the expertise is not found in the community that the project employs externally. The employees are engaged through competitive public recruitment at the local county administrative centres. The employees are remunerated as guided by the most current gazetted wages in the Collative Bargaining Agreement.

The project has offered several internships and attachments to students who have completed their courses and those continuing with their studies respectively. The Authority has a Human Resource Manual which guides compliance with all labour laws and international treaties.

4. Market place practices-

a) Responsible Supply chain and supplier relations-

The project consultant and contractor were procured through open tender making the procurement competitive. The organisation has sustained payments of all obligations arising out of the two contracts. However, payments have faced some challenges due to lengthy disbursement and insufficient exchequer releases

b) Responsible ethical practices

The internal audit department has been organising trainings through Ethics and anticorruption commission (EACC) for the staff to create awareness among staff and stakeholders.

c) Regulatory impact assessment

The project is adhering to all statutory and regulatory requirements. This is through complying with all statutes and regulations and filing the required documents. Further, all grievances raised are addressed as promptly as possible.

5. Community Engagements

The project does not have a direct CSR component. However, the community benefits through outreach programme for HIV/AIDS and Road Safety from well researched experts.

5. Statement of Project Management Responsibilities

The Director General Kenya Rural Roads Authority and the **Project Coordinator** are responsible for the preparation and presentation of the Project's financial statements, which give a true and fair view of the state of affairs of the Project for and as at the end of the financial year (period) ended on June 30, 2025.

This responsibility includes:

- i. Maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the project.
- ii. Designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statement, and ensuring that they are free from material misstatements, whether due to error or fraud.
- iii. Safeguarding the assets of the project.
- iv. Selecting and applying appropriate accounting policies.
- v. Making accounting estimates that are reasonable in the circumstances.

The Director General Kenya Rural Roads Authority and the Project Coordinator accept responsibility for the Project's financial statements, which have been prepared on the Cash Basis Method of Financial Reporting, using appropriate accounting policies in accordance with International Public Sector Accounting Standards.

The Director General Kenya Rural Roads Authority and the Project Coordinator are of the opinion that the Project's financial statements give a true and fair view of the state of Project's transactions during the Financial year ended June 30, 2025, and of the Project's financial position as at that date. They further confirm the completeness of the accounting records maintained for the Project, which have been relied upon in the preparation of the Project financial statements as well as the adequacy of the systems of internal financial control.

The Director General Kenya Rural Roads Authority and the Project Coordinator confirm that the Project has complied fully with the applicable Government Regulations and the terms of external financing covenants, and that Project funds received during the financial year under audit were used for the eligible purposes for which they were intended and were properly accounted for.

*Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Approval of the Project financial statements

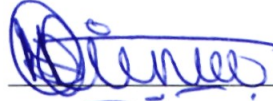
The Project and Financial Statement were approved and signed on 18th August, 2025 by;



Principal Accountant

CPA William Abungu

ICPAK Member Number: 4479



Project Coordinator

Eng. Kennedy Nyakuti



Ag. Director General

Eng. J. K. Magondu

REPUBLIC OF KENYA

Telephone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON UPGRADING OF GILGIL MACHINERY ROAD PROJECT BADEA LOAN FOR THE YEAR ENDED 30 JUNE, 2025 – KENYA RURAL ROADS AUTHORITY

PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements;
- B. Report on Lawfulness and Effectiveness in the Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure the Government achieves value for money and that such funds are applied for the intended purpose; and,
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An Unmodified Opinion is issued when the Auditor-General concludes that the financial statements are fairly presented in accordance with the applicable financial reporting framework. The Report on Financial Statements should be read together with the Report on Lawfulness and Effectiveness in the Use of Public Resources, and the Report on Effectiveness of Internal Controls, Risk Management, and Governance.

The three parts of the report aim to address the Auditor-General's statutory roles and responsibilities as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012, and the Public Audit Act, 2015. The three parts of the report when read together constitute the report of the Auditor-General.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying transitional IPSAS financial statements of Upgrading of Gilgil Machinery Road Project set out on pages 1 to 15, which comprise of the

Report of the Auditor-General on Upgrading of Gilgil Machinery Road Project BADEA Loan for the year ended 30 June, 2025 – Kenya Rural Roads Authority

statement of financial position as at 30 June, 2025 and the statement of financial performance, statement of changes in net assets, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the transitional IPSAS financial statements present fairly, in all material respects, the financial position of Upgrading of "Gilgil Machinery" Road Project as at 30 June, 2025 and of its financial performance and its cash flows for the year then ended, in accordance with Transitional International Public Sector Accounting Standards (Accrual Basis) including the transitional provisions permitted under IPSAS 33 and comply with the Financing Agreement between the Republic of Kenya and Arab Bank Economic Development in Africa (BADEA) dated 25 May, 2016 and the Public Finance Management Act, 2012; and The National Treasury and Economic Planning Circular No.3 of 14 April, 2025.

Basis for Opinion

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the Upgrading of Gilgil Machinery Road Project Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Emphasis of Matter

Long Outstanding Trade and Other Payables

The statement of financial position and Note 12 to the financial statements reflect trade payables balance of Kshs.311,443,716 which was not settled in the year under review but instead was carried forward to 2025/2026 financial year. The balance includes an amount of Kshs.72,349,319 which had been outstanding for over of one (1) year and Management attributed this to inadequate budgetary allocation. The unsettled payables may result to increased Project costs through accrued interest and litigation leading to cost escalation and subsequent stalling of the Project.

My opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in my professional judgement, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

Other Matter

Unresolved Prior Year Matters

In the prior years' audit reports, several issues were raised under the Report on the Financial Statements, Emphasis of Matter and Report on Lawfulness and Effectiveness in Use of Public Resources. Review of the status during audit of the Project in 2024/2025 revealed that the following four (4) issues remained unresolved:

	Financial Year	Audit Issue
1.	2023/2024	Irregular Charge of Interest on Delayed Payments
2.	2023/2024	Delay in Disbursement of Government Counterpart Funding
3.	2023/2024	Failure to Settle Pending Bills
4.	2023/2024	Delayed Completion of the Road Project

Other Information

The Management is responsible for the Other Information set out on page iii to xvi which comprise of Project Information and Overall Performance, Statement of Performance Against Project's Predetermined Objectives, Environmental and Sustainability Reporting and Statement of Project Management Responsibilities. The Other Information does not include the financial statements and my audit report thereon.

In connection with my audit on the Project's financial statements, my responsibility is to read the Other Information and in doing so, consider whether the Other Information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If based on the work I have performed, I conclude that there is a material misstatement of this Other Information, I am required to report that fact. I have nothing to report in this regard.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect of the matters described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

Basis for Conclusion

1. Payment of Interest on Delayed Payments

The statement of financial performance and Note 8 to the financial statements reflects certified works on road works balance of Kshs.264,895,866. The balance includes an amount of Kshs.20,727,964 which was interest paid as a result of delayed payments of various Interim Payment Certificates (IPCs). Management attributed this to inadequate budgetary allocation.

In the circumstances, there was no value for money on the amount of interest paid.

2. Delayed Completion of Project

Review of Project documents revealed that Management entered into a contract with the Contractor for upgrading to bitumen standard of Gilgil-Machinery Road at a contract sum of Kshs.1,476,491,036 on 06 February, 2019 for a period of 24 months ending on 04 May, 2021. However, due to the delays in implementation of the Project, the employer awarded a fourteen (14) months extension of time to the Contractor with the revised date of completion being 12 July, 2022. Upon expiry of the period, the Contractor applied for further extension of time citing delay and default in payments of interim certificates. The revised date of completion was 30 July, 2024.

Further, review of Monthly Progress Report (MPR) No.73 of 30 June, 2025 revealed that the contractor suspended works from 8 August, 2023 to 12 March, 2024 citing delayed payments as the reason for suspension. As a result, a new project completion date had been set for 31 December, 2024.

As at the time of audit in September, 2025, the completion of the project had been delayed by about seventy-four (74) months from the initial projected end date of 4 May, 2021. The Project was at overall physical progress of 99.96%.

In the circumstances, the value for money paid on the Project could not be confirmed.

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements comply in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON THE EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

Conclusion

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, I confirm that nothing has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether effective processes and systems of internal controls, risk management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Conclusion

As required by Financing Agreement between the Republic of Kenya and Arab Bank for Economic Development in Africa (BADEA) dated 25 May, 2016, I report, based on my audit, that:

- i. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.
- ii. Adequate accounting records have been kept by the Project, so far as appears from the examination of those records; and,
- iii. The Project's financial statements are in agreement with the accounting records and returns.

Basis for Conclusion

The Financing Agreement requires that I report on the legal or regulatory requirements, or on performance information disclosed. These matters require expressing a separate opinion as to the Project's compliance with laws and regulations. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of Management and those Charged with Governance

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Transitional International Public Sector Accounting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free

from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Project's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements comply with the authorities which govern them and that public resources are applied in an effective way.

Those charged with governance are responsible for overseeing the Project's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.


Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards of Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

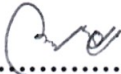
26 November, 2025

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

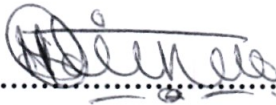
7. Statement of Financial Performance for the Year Ended 30th June 2025.

	Notes	2024/25 Kshs
Revenue		
Revenue Transfers	6	350,357,267
Total revenue		350,357,267
Expenses		
Use of goods and services	7	81,267,707
Certified Works	8	264,895,866
Total expenses		346,163,573
Surplus/ (deficit)		4,193,694

The accounting policies and explanatory notes to these financial statements are an integral part of the financial statements.



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Principal Accountant
 CPA William Abungu
 ICPAK Member No: 4479



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Project Coordinator
 Eng Kennedy Nyakuti



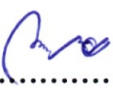
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Ag, Director General
 Eng J. K. Magondu


*Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*


8. Statement of Financial Position as at 30th June 2025

	Note	2024/25 Kshs	1 st July 2024 Kshs
Assets			
Current Assets			
Cash and Cash equivalents	10	9,660,766	5,467,074
Total Current Assets		9,660,766	5,467,074
Non-Current Assets			
Property, Plant and Equipment	11	1,966,029,615	1,619,866,042
Total Non- Current Assets		1,966,029,615	1,619,866,042
Total Assets (a)		1,975,690,381	1,625,333,116
Liabilities			
Current Liabilities			
Trade Payables	12	311,443,716	384,025,443
Total Liabilities (b)		311,443,716	384,025,443
Net Assets (a-b)		1,664,246,665	1,241,307,673
Represented By:			
Accumulated Surplus		1,664,246,665	1,241,307,673
Total Net Assets		1,664,246,665	1,241,307,673

The financial statements were approved on 18th August 2025 and signed by:


.....
Principal Accountant
CPA William Abungu
ICPAK Member No: 4479


.....
Project Coordinator
Eng Kennedy Nyakuti


.....
Ag. Director General
Eng J. K. Magondu

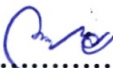
*Upgrading of Gilgil-Machinery Road Project
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9. Statement of Changes in Net Assets

Description	Accumulated Surplus Kshs
As at 30th June 2024 (Cash Basis)	5,467,074
Adjustments:	
Asset Recognition	1,619,866,042
Liabilities recognition	(384,025,443)
As at 1st July 2024	1,241,307,673
Asset Recognition	346,163,573
Liabilities Recognition	72,581,725
Surplus/(Deficit) for the year	4,193,694
As at 30th June 2025	1,664,246,665

The accounting policies and explanatory notes to these financial statements form an integral part of the financial statements.

The financial statements were approved on 18th August 2025 and signed by:


.....
Principal Accountant
CPA William Abungu.
ICPAK Member No: 4479



.....
Project Coordinator
Eng Kennedy Nyakuti



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Ag. Director General
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*Upgrading of Gilgil-Machinery Road Project
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10. Statement of Cashflow for the year ended 30th June 2025

Description	Note	2024/25 Kshs
Cashflow from operating activities		
Receipts		
Revenue Transfers	6	350,357,267
Total receipts		350,357,267
Payments		
Use of goods and services	7	81,267,707
Certified Works	8	264,895,866
Total payments		346,163,573
Net cash flow from operating activities		4,193,694
Cash flow from financing activities		
Net cash flow from financing activities		
Net increase/Decrease in cash and cash equivalents		4,193,694
Cash and cash equivalent at 1st July 2024	9	5,467,074
Cash and cash equivalent at end June 2025	9	9,660,768


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.....
Project Coordinator
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.....
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Eng J. K. Magundu

11. Statement of Comparison of Budget and Actual Amounts for the Year ended 30th June 2025

Receipts/Payments Item	Original Budget	Adjustments	Final Budget	Actual on Comparable Basis	Budget Utilization Difference	% of Utilization
	a	b	c=a+b	d	e=c-d	f=d/c %
	Kshs	Kshs	Kshs	Kshs	Kshs	
Receipts						
Revenue Transfers	216,689,162	(39,189,162)	177,500,000	350,357,267	- 172,857,267	197%
Total Revenue	216,689,162	(39,189,162)	177,500,000	350,357,267	- 172,857,267	
Payments						
Use of goods and services	20,000		50,000,000	81,267,707	- 31,267,707	163%
Certified Works	216,669,162		127,500,000	264,895,866	- 137,395,866	208%
Total Payments	216,689,162		177,500,000	346,163,573	- 168,663,573	195%
Surplus	-		-	4,193,694		

- Revenue Transfers are at 197% due to money received from the securitization fund to pay pending bills
- Certified Works are at 208% due to payment of pending bills for the contractor.
- Use of goods and services are at 163% due to payment of pending bills for the consultant.

Upgrading of Gilgil-Machinery Road Project
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Budget Reconciliation

Description of Particulars	Amount in Kshs
Actual Surplus Amounts as per the statement of Budget	4,193,694
Opening cash and cash equivalent	5,467,073
Closing Cash and Cash Equivalent as per the statement of Cash flows	9,660,767

12. Notes to the Financial Statements

1. General Information

Kenya Rural Roads Authority entity is established by and derives its authority and accountability from Kenya Roads Act 2007. The entity is wholly owned by the Government of Kenya and is domiciled in Kenya. The entity's principal activity is to manage, develop, rehabilitate and maintain rural road network in the country.

2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with the Public Finance Management Act, 2012 and with the International Public Sector Accounting Standards (IPSAS).

These financial statements were authorized for issue by the accounting officer on 18th August 2025

3. Adoption of New and Revised Standards

i) New and amended standards and interpretations in issue effective in the year ended 30 June 2025.

Standard	Effective date and impact:
IPSAS 43	<p><i>Applicable 1st January 2025</i></p> <p>The standard sets out the principles for the recognition, measurement, presentation, and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cashflows of an Entity.</p> <p>The new standard requires entities to recognise, measure and present information on right of use assets and lease liabilities.</p>
IPSAS 44: Non-Current Assets Held for Sale and Discontinued Operations	<p><i>Applicable 1st January 2025</i></p> <p>The Standard requires,</p> <p>Assets that meet the criteria to be classified as held for sale to be measured at the lower of carrying amount and fair value less costs to sell and the depreciation of such assets to cease and:</p> <p>Assets that meet the criteria to be classified as held for sale to be presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance.</p>
IPSAS 45-Property Plant and Equipment	<p><i>Applicable 1st January 2025</i></p> <p>The standard supersedes IPSAS 17 on Property, Plant and Equipment. IPSAS 45 has additional guidance/ new guidance for heritage assets, infrastructure assets and measurement. Heritage</p>

Upgrading of Gilgil-Machinery Road Project

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
	<p>assets were previously excluded from the scope of IPSAS 17 in IPSAS 45, heritage assets that satisfy the definition of PPE shall be recognised as assets if they meet the criteria in the standard. IPSAS 45 has an additional application guidance for infrastructure assets, implementation guidance and illustrative examples. The standard has clarified existing principles e.g valuation of land over or under the infrastructure assets, under- maintenance of assets and distinguishing significant parts of infrastructure assets.</p>
<p>IPSAS 46 Measurement</p>	<p><i>Applicable 1st January 2025</i></p> <p>The objective of this standard was to improve measurement guidance across IPSAS by:</p> <ul style="list-style-type: none"> i. Providing further detailed guidance on the implementation of commonly used measurement bases and the circumstances under which they should be used. ii. Clarifying transaction costs guidance to enhance consistency across IPSAS; iii. Amending where appropriate guidance across IPSAS related to measurement at recognition, subsequent measurement and measurement related disclosures. <p>The standard also introduces a public sector specific measurement bases called the current operational value.</p>

ii) New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2025

Standard	Effective date and impact:
<p>IPSAS 47- Revenue</p>	<p><i>Applicable 1st January 2026</i></p> <p>This standard supersedes IPSAS 9- Revenue from exchange transactions, IPSAS 11 Construction contracts and IPSAS 23 Revenue from non- exchange transactions. This standard brings all the guidance of accounting for revenue under one standard. The objective of the standard is to establish the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flow arising from revenue transactions.</p>
<p>IPSAS 48- Transfer Expenses</p>	<p><i>Applicable 1st January 2026</i></p> <p>The objective of the standard is to establish the principles that a transfer provider shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of expenses and cash flow arising from transfer expense transactions. This is a new</p>

Upgrading of Gilgil-Machinery Road Project

Annual Reports and Financial Statements for the year ended June 30, 2025.

Standard	Effective date and impact:
	standard for public sector entities geared to provide guidance to entities that provide transfers on accounting for such transfers.
IPSAS 49- Retirement Benefit Plans	Applicable 1st January 2026 The objective is to prescribe the accounting and reporting requirements for the public sector retirement benefit plans which provide retirement to public sector employees and other eligible participants. The standard sets the financial statements that should be presented by a retirement benefit plan.
IPSAS 50: Exploration For & Evaluation of Mineral Resources	Applicable 1st January 2027 The objective of this Standard is to specify the financial reporting for the exploration for and evaluation of mineral resources. The Standard requires: <ul style="list-style-type: none">i. Limited improvements to existing accounting practices for exploration and evaluation expenditures.ii. Entities that recognize exploration and evaluation assets to assess such assets for impairment in accordance with this Standard and measure any impairment in accordance with IPSAS 26.iii. Disclosures that identify and explain the amounts in the entity's financial statements arising from the exploration for and evaluation of mineral resources and help users of those financial statements understand the amount, timing and certainty of future cash flows from any exploration and evaluation assets recognized.

iii) Early adoption of standards

The Entity adopted the amended standards in the financial year 2024/2025.

4. Summary of Significant Accounting Policies

a) Revenue recognition

i) Revenue from non-exchange transactions

Transfers from other government entities

Revenues from non-exchange transactions with other government entities are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the entity and can be measured reliably. To the extent that there is a related condition attached that would give rise to a liability to repay the amount, the amount is recorded in the statement of financial position and realised in the statement of financial performance over the useful life of the assets that have been acquired using such funds.

ii) Revenue from exchange transactions

Interest income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

b) Budget information

The original budget for FY 2024/2025 was approved by the Council or Board on **2024**. Subsequent revisions or additional appropriations were made to the approved budget in accordance with specific approvals from the appropriate authorities. The additional appropriations are added to the original budget by the entity upon receiving the respective approvals to conclude the final budget. Accordingly, the entity recorded additional appropriations of **2025** on the FY 2024/2025 budget following the Council/ Board's approval. The entity's budget is prepared on a different basis to the actual income and expenditure disclosed in the financial statements. The financial statements are prepared on accrual basis using a classification based on the nature of expenses in the statement of financial performance, whereas the budget is prepared on cash basis. The amounts in the financial statements were recast from the accrual basis to the cash basis and reclassified by presentation to be on the same basis as the approved budget. A comparison of budget and actual amounts, prepared on a comparable basis to the approved budget, is then presented in the statement of comparison of budget and actual amounts. In addition to the Basis difference, adjustments to amounts in the financial statements are also made for differences in the formats and classification schemes adopted for the presentation of the financial statements and the approved budget. A statement to reconcile the actual amounts on a comparable basis included in the statement of comparison of budget and actual amounts and the actuals as per the statement of financial performance has been presented on page **xx** under section **xxx** of these financial statements.

c) Property, plant and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition or construction of the item of property appropriately according to the acronyms you use in your financial statements plant and equipment. When significant parts of property, plant and equipment are required to be replaced at intervals, the entity recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major inspection is performed, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in surplus, or deficit as incurred. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

Notes to the financial statements

d) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at the Central Bank of Kenya and at various commercial banks at the end of the financial year.

e) Subsequent events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended June 30, 2025.

Upgrading of Gilgil-Machinery Road Project

Annual Reports and Financial Statements for the year ended June 30, 2025.

Notes to the financial statements

6. Revenue Transfers

Description	2024/25 KShs
Unconditional Transfers	
GoK Counter Part funding	318,766,665
Transfers from Development partners	31,590,602
Total Unconditional Transfers (a)	350,357,267
Total Transfers for the Year (a + b)	350,357,267

a) Details to Revenue Transfers

Name of The Entity Transferring	Amount recognized to Statement of Financial performance Kshs	Amount moved to Capital fund Kshs	Total transfers (Current FY) Kshs
GOK Funding	551,266,665	232,500,000.00	318,766,665
Badea	1,078,665,997	1,047,075,395.00	31,590,602
Subtotal	1,629,932,662	1,279,575,395.00	350,357,267
Total	1,629,932,662	1,279,575,395.00	350,357,267

7. Use of Goods and Services

Description	FY 2024/25 Kshs
Bank charges	19,102
Consultancy Services	81,248,605
Total	81,267,707

8. Certified Works

Description	FY 2024/25 Kshs
Road Works	264,895,866
Total	264,895,866

9. Cash and Cash Equivalents

Description	2024/25 Kshs	1st July Kshs
Cash in Bank	9,660,766	5,467,074
Total Cash and Cash Equivalents	9,660,766	5,467,074

10. Project Bank Accounts

Details	2024/25 Kshs	2024/25 Kshs
Local Currency Accounts		
KCB Bank Counterpart Ac No 1259504255	9,660,766	5,467,074
Total local currency balances	<u>9,660,766</u>	<u>5,467,074</u>
Total bank account balances	9,660,766	5,467,074

11. Property, Plant and Equipment

Cost	Other Assets (Roads) Kshs	Total Kshs
Depreciation rate		
As At 1 July 2024 (opening balances)	1,619,866,042	1,619,866,042
Additions	346,163,573	346,163,573
As at 30th June 2025	1,966,029,615	1,966,029,615
Net Book Values		
As at 1 st July 2024	1,619,866,042	1,619,866,042
As at 30th June 2025	1,966,029,615	1,966,029,615

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

12. Trade and Other Payables

Description	2024/25 Kshs	1 st July 2024 Kshs	
Trade payables	311,443,716	384,025,443	
Total trade and other payables	311,443,716	384,025,443	
Ageing analysis: (Trade and other payables)	2024/25	2023/24 FY	% of the Total
Under one year	239,094,397	90,186,347	76.77%
1-2 years	72,349,319	293,839,096	23.23%
2-3 years			
Over 3 years			
Total (tie to above total)	311,443,716	384,025,443	

13. Special Deposit Accounts

The balances in the Project's Special Deposit Account(s) as of 30th June 2025 are not included in the Statement of Financial Assets since the line items are yet to be drawn into the Exchequer Account as a voted provision.

14. Related Party Disclosures

Nature of related party relationships

Entities and other parties related to the *Entity* include those parties who have ability to exercise control or exercise significant influence over its operating and financial decisions. Related parties include management personnel, their associates and close family members.

Government of Kenya

The Government of Kenya is the principal shareholder of the *Entity*, holding 100% of the *Entity's* equity interest. The Government of Kenya has provided full guarantees to all long-term lenders of the *Entity*, both domestic and external.

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Notes to the financial statements

Other related parties include:

- i) The Parent Ministry.
- ii) County Governments
- iii) Other SCs and SAGAs
- iv) Key management.
- v) Board of Directors.

15.Events after the Reporting Period

There were no material adjusting and non-adjusting events after the reporting period.

16.Ultimate And Holding Entity

The Entity is a State Corporation/ or a Semi-Autonomous Government Agency under the Ministry of Roads and Transport. Its ultimate parent is the Government of Kenya.

17.Currency

The financial statements are presented in Kenya Shillings (Kshs) rounded to the nearest Kshs.

*Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

13. Annexes

Annex 1: Prior Year Auditor-General's Recommendations

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
Basis for qualification	<p>Irregular charge of interest on delayed payments. Annex 3 to the financial statements reflects pending bills balance of Kshs 384,025,443 for the period ended 30 June 2024 which includes Kshs 38,714,887 in respect of interest payable on delayed payment of interim certificates. Had the management paid the contractor promptly as stated in the contract agreement. Kshs 38,714,887 payable as interest on delayed payment of interim payment certificates would have been avoided. The liability created for not paying the certified work on time would have saved some funds for other projects. The management did not provide explanation on failure to make payments to the contractor on interim</p>	<p>Interest charge on delayed payment is provided for in the contract agreement and arose as a result of lack of adequate budgetary provision. Management has requested for full allocation as the project is coming to an end.</p>	Not Resolved	

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	payment certificates when they become due. In the circumstances, the interest payable of Kshs 38,714,887 would be an irregular charge to public funds			
Emphasis of matter	<p>Delay in the disbursement of Government Counterpart Funding.</p> <p>The statement of receipts and payments, reflects a loan amount from development partner of Kshs 33,413,143 and Kshs 70,000,000 for counterpart funding from the government of republic of Kenya. The total cumulative counterpart funding from the government of Kenya was Kshs 232,500,000 representing 58% of the total counterpart financing projection of Kshs 400,000,000. With the expected closing date of the project set at January 2025, it is doubtful that</p>	Management has requested for full allocation as the project is coming to an end.	Not Resolved	

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>the counterpart financing balance of Kshs 167,500,000 or 42% will be disbursed to the project activities before project closure date. In the circumstances, the government of the republic of Kenya was in contravention to section 3.05(a) and (b) of the financing agreement.</p>			
	<p>Failure to settle pending bills. Annex 3 to the financial statements reflects pending bills balance of Kshs 384,025,442.91 that were not settled in the year under review but were carried forward to 2024/2025 financial year. The management did not explain why the interim payment certificates were not settled when they were due. Consequently, the project risks incurring significant interest costs and</p>	<p>The failure to settle pending bills is as a result of lack of adequate budgetary provision. Management has requested for full allocation as the project is coming to an end. In this financial year 2024/25, authority has received Kshs 105M over and above the budget in</p>	<p>Not Resolved</p>	

*Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	penalties with continued delay in payment. Failure to settle bills during the year in which they relate distorts the financial statements and adversely affects the budgetary provisions for the subsequent year as they form a first charge as stipulated by Regulation 42(1)(a) of the Public Finance Management(National Government) Regulations, 2015	order to clear the pending bills		
Other Matter	<p>Unresolved prior Year Matters.</p> <p>In the audit of the previous year, several issues were raised. However management has not indicated how each of the issues raised in the previous year Auditor-General's report was resolved, including the information required under the prescribed reporting format.</p>	All prior year matters were resolved	Resolved	N/A

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
Basis for Conclusion	<p>1. Delayed completion of the Road Project</p> <p>Review of project documents revealed that the management entered into a contract with the contractor for upgrading to bitumen standard of Gilgil-Machinery Road at a contract sum of Kshs 1,476,491,036 on 6 February 2019 for a period of twenty four (24) months ending on 04 May 2021. However due to delays in implementation of the project, the employer awarded a fourteen (14) months extension of time to the contractor with the revised date of completion being 12 July 2022. The contractor applied for a further extension of time with the revised date of completion being 30 July 2024 as a</p>	<p>The request by the contractor and also the approval of the revised date of completion together with insurance were provided for the auditor.</p>	Resolved	

***Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025***

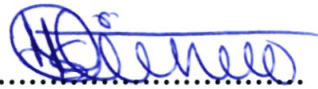
Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	<p>result of delay due to default in payments of interim certificates. Further, review of monthly project progress report(MPR) No 61 of June 2024 revealed that the contractor suspended works from 8 August 2023 to 12 March 2024 citing delayed payments as the reason for suspension. Consequently a new project completion date of 9 January 2025 has been proposed. However, request by the contractor and approval thereof for the revised date of completion was not provided for audit. As of the time of audit, the completion of the project had been delayed by about sixty five (65) months from the initial projected end date of 4 May 2021. In the circumstances, value for money</p>			

Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	realized from the project could not be confirmed.			
	<p>2.Presentation of the Financial Statements</p> <p>Management has not reported, under the statement of performance against project’s predetermined objectives, the outcomes, indicators and performance of the project during the year under review. In addition. Management has not reported the metrics met, objectives yet to be met, challenges and opportunities of the project in implementing its agreement, as required by the Public Sector Accounting Standards Board(PSASB) financial reporting template. In the circumstances, the financial statements have not been prepared in</p>	These are all available and will be availed to the auditor	Resolved	

*Upgrading of Gilgil-Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025*

Reference No. on the external audit Report	Issue / Observations from Auditor	Management comments	Status: <i>Resolved / Not Resolved</i>	Timeframe:
	compliance with the PSASB financial reporting template and IPSAS			



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Project Coordinator
Eng Kennedy Nyakuti



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Ag. Director General
Eng. J.K. Magondu

Upgrading of Gilgil – Machinery Road Project
Annual Report and Financial Statements for the financial year ended June 30, 2025

Annex 2: Reconciliation of inter-entity transfers

Project Name:			
Break down of transfers from the State Department			
a. Government Counterpart funding			
		Amount (Kshs)	he amounts relate
	09/02/2024	45,000,000	FY 24/25
	09/11/2024	50,000,000	
	22/12/2024	118,310,838	
	15/04/2025	105,455,827	
	Total	318,766,665	
B. Direct payments			
		Amount (Kshs)	he amounts relate
		31,590,602	FY 24/25
		31,590,602	
C. Others			
		Amount (Kshs)	he amounts relate
			FY 24/25
		-	
		350,357,267	

Annex 3: Fixed Asset Register

Asset class	Historical Cost b/f (Kshs) Previous Year	Additions during the year (Kshs)	Disposals during the year (Kshs)	Transfers in/(out) during the year	Historical Cost c/f (Kshs) Current Year
Infrastructure Assets- Roads, Rails	1,619,866,042	346,163,573			1,966,029,615
Total	1,619,866,042	346,163,573			1,966,029,615

Annex 4: Other Support Documents

i. Bank Reconciliations statement as at 30th June 2025

